

Jillian Flodstrom ([00:03](#)):

Welcome to the Scale Your Small Business podcast. This is the place where we help entrepreneurs and small business owners put systems in place to see exponential growth. I'm your host, Jillian Strom, a serial entrepreneur, a compulsive organizer, and your business cheerleader. I'm gonna help you calm the chaos, increase productivity, and grow your revenue. Let's get started.

Jillian Flodstrom ([00:31](#)):

Today we have a special guest who's a leading expert in cash cashflow optimization. He's helped hundreds of international small businesses optimize their cashflow and improve their profits. He's the founder of David Severe International, an education and advisory company that serves small businesses with a master's degree in an international management and 20 years of experience working with Com companies like Morgan Stanley, Dell, and Kodak. He's highly regarded by business owners and CFOs as Vice President and general manager of Kodak Latin America. He transformed his division from years of loss to profitability in just 18 months. He's a trusted advisor to businesses with revenues from one to 20 million, and he teaches accountants how to grow their revenue with cashflow advisory services through his cash is Clear certification program and mastermind groups. Please help me welcome David to the show. How are you?

David Safeer ([01:25](#)):

I am great, Jillian. It is wonderful to be here with you.

Jillian Flodstrom ([01:28](#)):

I'm so excited to talk about money today. <Laugh>.

David Safeer ([01:31](#)):

Ah, it's the money that I love talking about. It's, oh, it flows

Jillian Flodstrom ([01:37](#)):

In. That's true. Our businesses.

David Safeer ([01:38](#)):

Yes. Yes. Better than

Jillian Flodstrom ([01:40](#)):

Money by itself. Money that flows into our businesses <laugh>.

David Safeer ([01:44](#)):

That's right. And and going out. It doesn't go out quite as fast as it comes in in

Jillian Flodstrom ([01:48](#)):

Exactly, exactly. We keep it a little bit, just a little bit. Yeah,

David Safeer ([01:52](#)):

Just

Jillian Flodstrom ([01:52](#)):

A little. Well, let's talk about that because I know that a lot of times money can be a hard thing to talk about for a lot of people, for a lot of businesses. But what inspired you to focus on cashflow optimization and how did you develop your expertise in this area?

David Safeer ([02:08](#)):

Wow, that's a loaded question because it's not a short answer, so I'm gonna try to make it concise. Okay.

Jillian Flodstrom ([02:14](#)):

Sounds good.

David Safeer ([02:16](#)):

I was fortunate enough during my corporate career to end up in general management positions, which means I was responsible not just for the top line, but all the way down. I was responsible for revenue. I was responsible for the cost of goods sold. I was responsible for responsible for expenses and actually delivering a profit. You mentioned Kodak. We turned it around and so I started to get a real feel for what it took to happen in inside of a large corporation, but we never talked about cash. Once in a while, we had to collect money, but not cash. Then I started doing consulting on the side because people started asking me about, David, we know you do this for large companies, can you help us? And back in 2018, I said, you know what? I wanna specialize, what do all these companies have in common?

David Safeer ([03:06](#)):

And I realized whether they were talking about sales, marketing some counting things that I would help with, at the end of the day, they all had cashflow problems. And so I said, well, let me take a look what's written about cashflow, and I'd find these articles, five ways to improve your cashflow, 10 Ways to Improve your Cashflow. They always had the five, same five to 10 things. And the last one was always, and if you use my product or service, it'll solve all of your cashflow problems, which is a bunch of baloney. Yes. So it popped in my head, I could probably think of 99 ways for people to manage their cash flow. So I started writing it down. I'm now up to closer to 200 different strategies and tactics that businesses can use to manage and improve their cash flow.

Jillian Flodstrom ([03:59](#)):

I love that because we all have different businesses. We're all in different phases of business. So having more than just nine or 10 is kind of awesome because then you can go through and be like, okay, that one applies to me. That one applies to me. This one doesn't. You know, there's probably so many things that if you looked at a business, there's probably so many common mistakes that you're like, oh, let me check these top three, because that's something that all of us, you know, stumble through. What are those common mistakes that we make as business owners managing our cashflow and how do we avoid them? More importantly,

David Safeer ([04:35](#)):

Let me tell you the one that's really on top of my mind right now. Why? Because I just did a seminar where we talked about business failures and how to keep your business from failing. And the statistics are startling that most businesses go out of business within five years. I think it's 70%, well, about 80% of those businesses are reporting cashflow issues, but most of them are profitable. So there's a

fundamental issue of people equating profits with cash availability. And it is completely different, especially when you're talking about accrual based accounting, which is a theory developed over hundreds of years that we're stuck with today. That is the number one mistake. I see. I made 2 million last year. The accountant tells me, I, I have \$250,000 in profit. Where is my cash? That's literally a question a business owner asked me when I really started getting involved with this subject full-time.

Jillian Flodstrom ([05:48](#)):

That's so true. I mean, I think we probably all had that conversation with our accounts where you're like, Hey, we made all this money, but where did it go? Just like maybe an employee looks at their W Chew and you're like, where the heck did all that money go?

David Safeer ([06:00](#)):

Oh, right. Well, what you told me I made \$3,000 this month, but yet only, you know, 2000 showed up on my paycheck. Well, then you gotta go start looking at the details. That's a heck of a lot easier looking at your pay stub than it is. Try to figure out where it is when you're looking at your, your accounting. So,

Jillian Flodstrom ([06:18](#)):

And really that like makes it, that makes it so much easier when you say it like that, you're like, oh, wow, that problem is now not as overwhelming as I thought it was just by you distilling it down like that.

David Safeer ([06:30](#)):

Well, so here's problem number two. It's an, it's a structural problem. We have within our business culture that people who are experts at something, and this is not just business, this is medical, this is the legal field. They use vocabulary that the other, the layperson doesn't understand. And so many business people, when they're starting up, they're not really business people. They are technical specialists in some area that they decided to get into business and they don't understand what cruel accounting is, or they don't understand the profit is theoretical and you gotta add a whole bunch of stuff in and pull a whole bunch of stuff out to get a cash balance. So just being able to explain things in plain English is a huge part of what we try to do. You know, my wife Lisa, mm-hmm. <Affirmative>, she edits everything and she is not a business person. Everything that I write and document she edits. And if she doesn't understand it, we rewrite it and rewrite it and rewrite it until it's understandable to the average person.

Jillian Flodstrom ([07:41](#)):

That's huge. I think that's probably where like a lot of people get paralyzed is because they don't understand it. They probably feel like they should, but they're like, I don't have an accounting degree. I don't know what these words mean. I don't wanna feel like an idiot, so I'm not gonna say that I don't know what they mean. And that's the best part of what you guys do is really making it easy to understand. Because when we're talking about what does your business need to generate cashflow, you know, and, and what are things that we can do to improve cashflow, what's the best way that you would explain that to people?

David Safeer ([08:20](#)):

Simplest way to explain it is that you need to stop looking backwards and start taking whatever happened in the past and translate that into a projection of what's going to happen in the future. So in creating models of your business it's called business modeling, but I call it cashflow modeling cause there's sort of two different things. We wanna know, literally what cash is going to come into and out of

the business over time and in time slices. Another challenge that people have is they look at cashflow per month. So simple question you can answer today, but everybody who's listening can answer, do all of your receipts, all the, the money hit your cash account your bank account on the same day of the month, and then all of your bills are due the following day.

Jillian Flodstrom ([09:16](#)):

I wish <laugh>

David Safeer ([09:17](#)):

Right, make life a lot easier, but yeah, you get, you get in sort of constantly maybe or maybe once a or sometimes people get paid like once a month and they've gotta stretch it out. But so to do monthly cashflow analysis, I highly recommend anybody who does this type of work. It's a weekly plan, how much is coming in this week and how much is going out. And if you're in real short supply of cash, some companies, if they're in trouble, actually literally have a day to day to day to day cashflow forecasts. Hopefully nobody who's listening is in that situation.

Jillian Flodstrom ([09:54](#)):

Well, and that's a really good way to look at it, is that depending on what situation you're in, it might be weekly, it might be daily, or for me, one of my companies pays me by the year, which in theory sounds like a really good thing. But then it's like you have to balance that out over the entire year. So you have to make sure that those funds are available in November. I mean, versus right now.

David Safeer ([10:19](#)):

So there's a cash management technique that I would recommend. I'm assuming this is a larger client, I don't know why, but that's just the way your expression on your face. Yeah. I would open up a separate bank account for them and, and put the money in. And especially if there was hard costs that had to be spent for a particular client, this is the construction industry, they run into issues cuz they get deposits for materials and they spend it on other things and all of a sudden it's not there six months later when they need it. And so that might be something that you could do if it might make your life easier just knowing what there's our, call it a slush fund, call it the, you know, Acme client fund where you can pull funds out of all year.

Jillian Flodstrom ([11:03](#)):

Yeah. We actually call it our vault account because it's like we get these big chunks, they have to be used year round. What's your recommendation on like how many bank accounts should we have? Because I think that's a really important suggestion that you just made, that it's okay to have more than one bank account. It might actually make your life easier if you had more than one.

David Safeer ([11:23](#)):

Absolutely. And my rule of thumb is as many as you need and as few as possible. So, but a minimum of two. Why do I say two? Because one should be for accumulating cash. Why would you accumulate cash for things like taxes you know, quarterly payments, annual payments you know, let's say you're paying monthly for insurance. It's cheaper if you do it yearly. So you can accumulate it. There's various reasons you want to accumulate. Other people would recommend at least three. One is for known expenses, but in your case, I'd say at least three. The your Vault account and an accc, a separate accumulation account and a picking account minimum.

Jillian Flodstrom ([12:13](#)):

You know what's funny about that is people always tease me because we actually have five bank accounts, <laugh>. So people always tease me and they're like, why do you have so many? And I'm like, because we have so many different things happening for each one of these businesses, we wanna make sure that when the time comes and we need, we have those big expenses like our e and o or you know, these mm-hmm. Huge things that come out once a year. We wanna make sure that we've got the money sitting there and waiting for us. And part of that is using technology to make sure that all the money's available when we need it. So what's the best way for businesses to incorporate technology into their cashflow management?

David Safeer ([12:51](#)):

One of the things I'd recommend is that too often we look at a \$15 a month banking fee is way too much money. We should be getting it for free. And so we go down and get a, not a business account, but a, well, we can get a business account, but a non-business bank. So I would recommend in getting a bank that you have access to, but you can also give other people access to like your bookkeeper, like your accountant, like maybe somebody doing accounts payable, whatever it is that they can have their own access, but on a limited basis, either read only download reports, or that you as a business owner have to approve anything over a certain amount. And that amount could be zero or it could be a hundred dollars. That is a huge, huge of great technology that will save them huge amount of time and energy for your banking.

Jillian Flodstrom ([13:49](#)):

Ha you know what? I love that because I think people are really nervous about giving people access to their bank account because they're like, well, what if they get in there and take money? I mean, we've all heard those stories, right? Yep. So that is so cool that you can do that because I didn't even think that you could put, you could put the dollar amount at zero so that way they can just Oh yeah. Yeah. Oh that's so cool.

David Safeer ([14:10](#)):

Yeah. And you know, at the risk of, is it okay if I mention who I bank with it course provides

Jillian Flodstrom ([14:15](#)):

Course

David Safeer ([14:15](#)):

Of Yeah. Yeah. It's Chase. And it's \$15 a month if I don't maintain a minimum balance. And quite frankly, I don't always, because I have reserve accounts. Right? And, but it's \$15 is such a cheap price to pay for that type of functionality. I have a bookkeeper, I don't touch it. They go in, they grab my, my statements and they, they're like, do it

Jillian Flodstrom ([14:39](#)):

Such a time saver. Yep. To not have to download them, email them or upload them. Just be like, here's the account access. You can only download stuff. Here you go.

David Safeer ([14:50](#)):

Right. It's read.

Jillian Flodstrom ([14:52](#)):

Yep. Oh, that's awesome. Now, when thing, when you're talking with companies and you are helping them develop this cashflow management plan, and we've talked about a couple things that every business should do. What are some key components to planning successfully?

David Safeer ([15:08](#)):

So absolutely by far, number one is putting together this cashflow model that I've already mentioned at minimum of 13 weeks. Certain businesses that have longer business cycles, you want to go out much further than that. Long as I've gone out is a construction company that did roads. They didn't, it took them years. And so we developed a cashflow model that went for years. Now that might sound complicated in the cashflow model that's forecasting your revenue and it's for, and it's saying this is what the expenses are and this is what our accounts receivables are. But here's what I tell business owners, that's not your job. So if you're scaling, you should have a good bookkeeper. Notice I said good bookkeeper. There's a huge difference in quality out in the marketplace. And possibly an accountant, but one of those people should be doing the updates on a weekly basis. Business owners should only be spending 15 to 30 minutes looking at either a dashboard or the model itself and seeing key indicators. Now if problem's gonna come up because you see a shortfall in a month or two or three, well that might take more time, but you're doing it proactively, not on a reactive basis. So that is absolutely by far the number one thing that needs to be set up.

Jillian Flodstrom ([16:29](#)):

Well. And even looking at it like you, there's probably so many business people that you encounter and they're like, I don't, I don't know how much money I have. I try not to look at it cuz it freaks me out. Like I overwhelm me. So I just, I just, I just put it away. <Laugh>, don't look at it.

David Safeer ([16:43](#)):

I I do a, I do a mastermind and somebody said, Hey, can we talk about you during our mastermind? It's a, she's an advanced bookkeeper and the business owners No, I don't want to hear the answers. Yeah, they really don't sometimes. Yeah. But you know, I actually gave a couple of other clues. One is weekly, right? You've got a weekly cashflow, meaning that you're looking and understanding it. Using a dashboard is really helpful. What the dashboard is is very much business dependent. It could be receivables, but if you don't have receivables, obviously that's not there. It could be inventory levels, but if you don't have inventory that's not there. So you've gotta figure out what the dashboard is. But here's the thing I like to have inclusivity. So I've coined a new phrase which is cash is royalty. Act like it, right?

David Safeer ([17:33](#)):

Everybody likes to say cash is king, but nobody acts like it. Or very few people do. They want to know two things. Profit sorry. Sales, which is the top line, right? More sales are better and bottom line, what's the profit we've already discussed? Profit is, is an illusion. Top line can end up digging you into a faster hole, the top line growth than declining growth than you could ever believe. And more companies go out of business in huge growth spurts than they do in downturns. Wow. It's because they consume cash in advance of receiving it back in.

Jillian Flodstrom ([18:17](#)):

Oh, so they've already spent it before it even comes in.

David Safeer ([18:21](#)):

Sure. If you wanna open up a new store, you've gotta pay for stuff ahead of time. You've gotta pay for employees. I work with people who do federal contracts. They get a contract and it's supposed to, they think it's gonna start on March 1st. They hire, well sometimes these things get delayed so to March, april, may. And they can't just fire these folks cuz they're specialists and they're gonna have to re anyhow. Yes, it, it is growth can be extremely dangerous and these cashflow models can help you both predict and also do what if scenarios. So what if this happens? What if that happens? And it's easy to manipulate.

Jillian Flodstrom ([19:01](#)):

Now if I have one final question for you, cuz I think this is probably one of the most important because all of us small business owners have been there. Like, I think it's important that we talk about like nothing's perfect. Like no matter what business looks like on social media, they've been through it. Like no business is ever perfect, always makes money like things happen. So if someone who's listening right now is struggling with their cashflow management, how do they get started on the path of improvement? And I know we've talked about a couple things that are pretty easy to do. One, you wanna be looking, you know, look at where you're at, what's going on. Mm-Hmm. <Affirmative>, what are some other things that you're like, Hey, I know overwhelmed right now, but here's a couple key things that you can do to kind of get you back on the path to getting back to being successful.

David Safeer ([19:50](#)):

So I'm gonna suggest they go to my website and download. I've got a, a free 10 habits of for cashflow cashflow. The number one thing is they've gotta have good bookkeeping. If they don't, they need to upgrade their bookkeeping. Because you really can't do anything if you don't really know where you are today makes it harder. But number two would be grab your expenses. Almost every business I've worked with has expenses that they initiated at some point in time that are no longer needed. Number three would be think about your clients. I've got an article says, fire your your Loser clients. And, and, and quotes loser means that you're losing money on them. Doesn't mean they're people that are losers. Although sometimes those loser clients financially are also these big energy sucks. Think about if you've got clients like that, if you're lucky and your bookkeeping set up right, you can actually analyze the profitability of your clients.

David Safeer ([20:57](#)):

Get rid of unprofitable clients. When I say unprofitable, I'm talking about cash, their draining cash from your company. And that could be people's time. Generally when there's problem clients, they're eating up 80% of your staff's time versus everybody else. It's the 80 20 rule. So, so those are some things that you don't have to have any additional technical knowledge of how to do cashflow analysis that you can do that ask your accountant, ask your bookkeeper for, for help. Most will not know how to do that, but at least you'll figure it out. They can download a spreadsheet model anywhere on spreadsheet model agnostic and try to fill it out. And then if they need help, they should go somewhere for help. That's, that's, that's the number 10 in that list. Go get some help from somebody.

Jillian Flodstrom ([21:50](#)):

Well I'm glad that you brought that up and I know I said that that was my last question, but I have one more <laugh>. Ok. So, okay. If someone has a person, maybe they're not happy with them, maybe that person's done assisting them or maybe they don't have anybody and they're like, I know I need a bookkeeper, I know I need an accountant. Like these people are worth their weight in gold. How do you find one? Like what are, what are good questions to ask? What's a, what's a way to find somebody to help you?

David Safeer ([22:15](#)):

I would say they could go schedule a half hour appointment with me and tell me what they need. And I can recommend somebody who has been through my training program. So I've got bookkeepers, I've got accountants, I do training, I do certification, and I can recommend them or then we can have the discussion. But it's a huge issue because schools do not train on this. Schools teach backwards looking, accounting and bookkeeping and anything that isn't in your bank account right now, they don't think about it. So it's, it's, there's a growing movement, there's software out there. I'd be very cautious about software because it doesn't really forecast as much as saying, this is what your books look like. And so if you only have two weeks of receivable, it looks like you're going out of business in two weeks, which you've gotta have faith that you're gonna get money in in three weeks and four weeks cetera. Yeah. So I could keep going on this topic. It's,

Jillian Flodstrom ([23:20](#)):

I know, I was gonna say that too. I'm like, we could talk for hours. Like I'm fascinated by this stuff, but I'll be sure to link your website in the show notes so people have easy access to it. And like you said, it's just about taking that first step. So no, no matter where you are in this entrepreneurial journey, start where you're at and look forward because whatever happened in the past, it is what it is. We've gotta look forward. So thank you so much for being here. I know that people are gonna find so much value in this episode. So I appreciate you taking time out of your busy schedule to be with us today.

David Safeer ([23:54](#)):

Jillian, it was a real pleasure. You have great questions. Hopefully I did them justice with my answers.

Jillian Flodstrom ([24:10](#)):

That's all we've got for this episode of the Scale Your Small business podcast. One thing that would really help me and other new potential listeners is for you to rate this show and leave a comment in iTunes, Stitcher, or wherever you tune in to listen. Also make sure to link up with us@hijillian.com or on social media. And don't forget to please just share, share, share this podcast with anyone who you think might enjoy it. Until next time, remember, it's never too late to get clear.